

A Theory of Social Business

(Society Changing Model)

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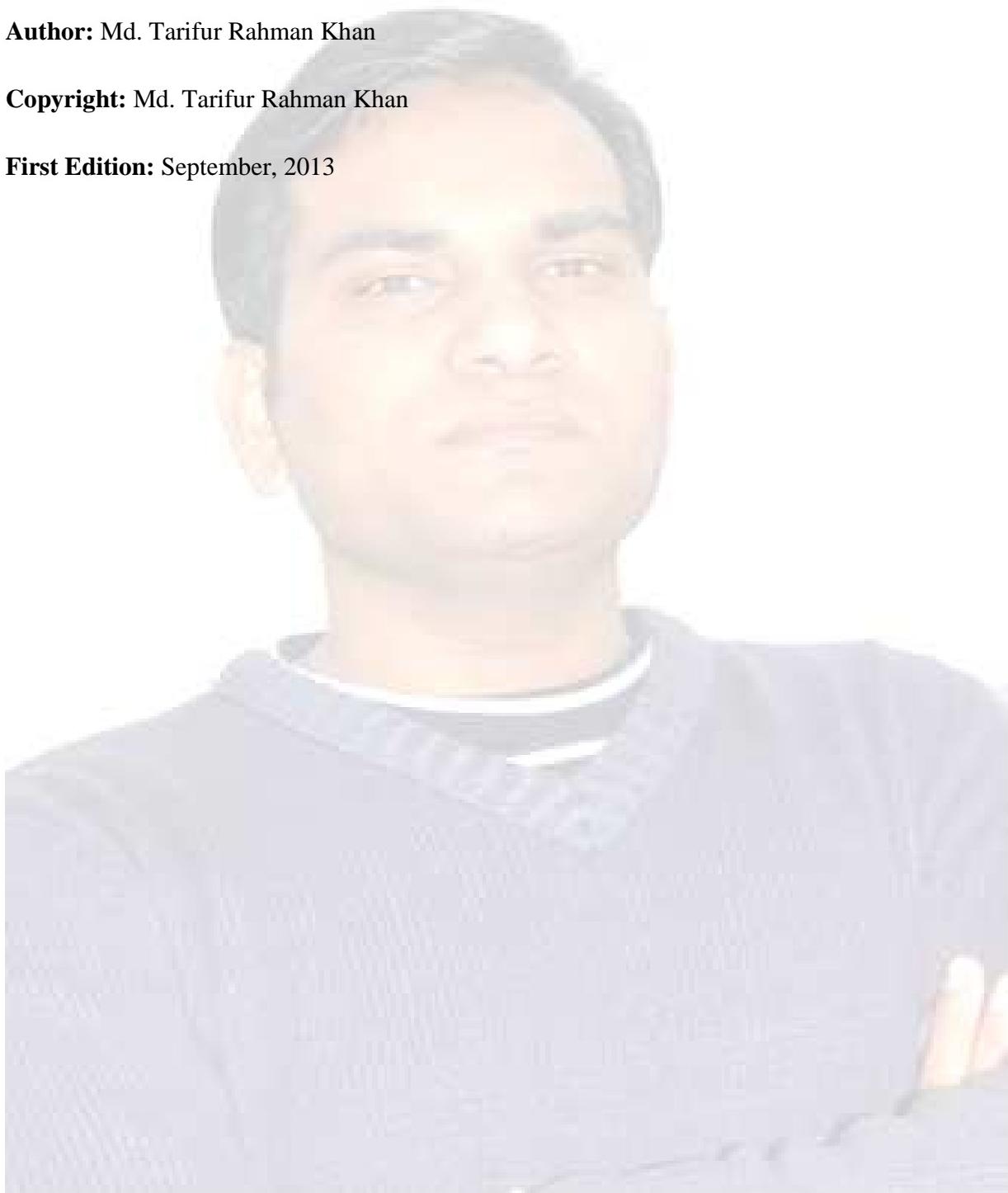


A Theory of Social Business (Society Changing Model)

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Preface

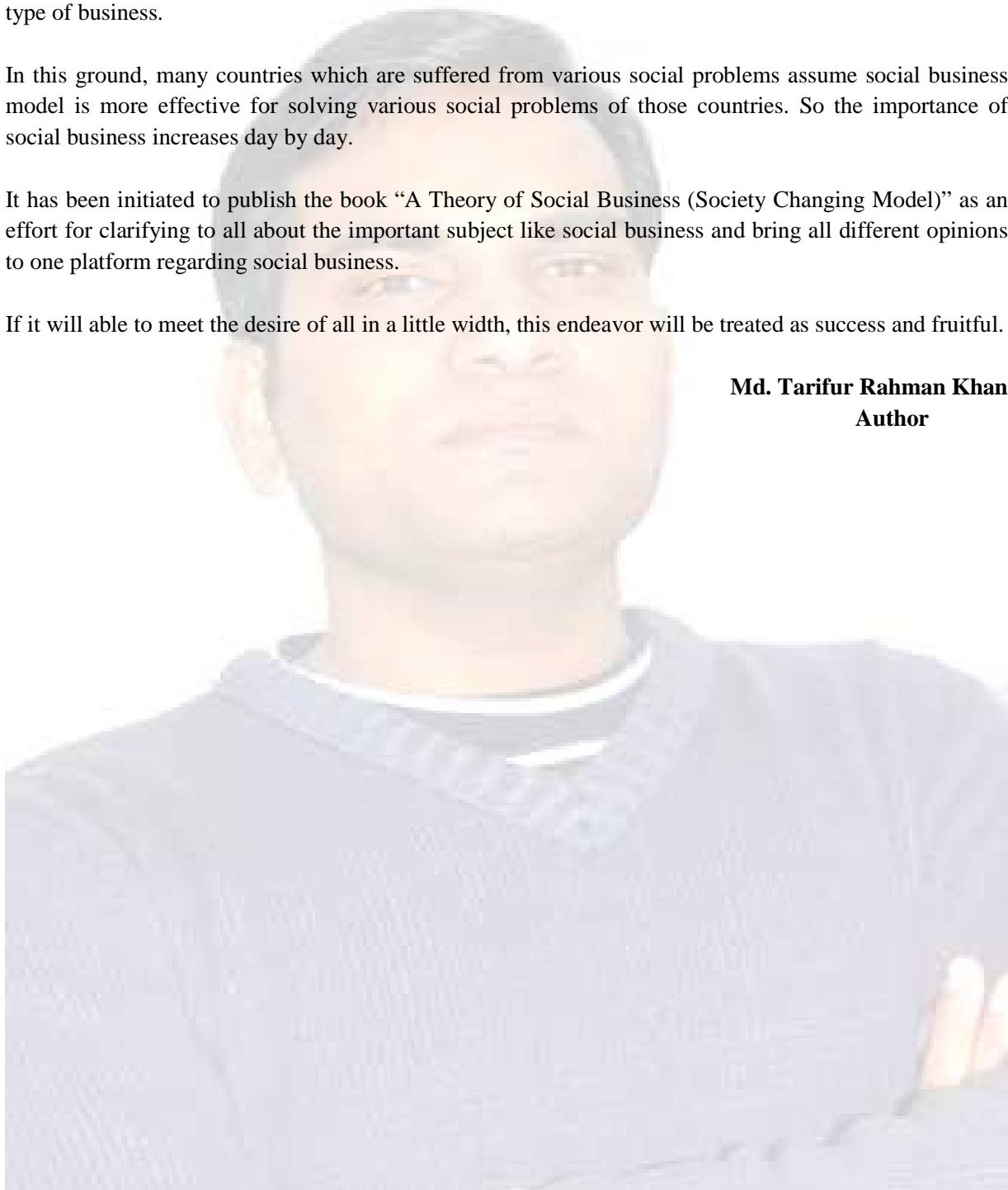
At present, social business is the most discussed topic. It is possible to solve social problems through this type of business.

In this ground, many countries which are suffered from various social problems assume social business model is more effective for solving various social problems of those countries. So the importance of social business increases day by day.

It has been initiated to publish the book “A Theory of Social Business (Society Changing Model)” as an effort for clarifying to all about the important subject like social business and bring all different opinions to one platform regarding social business.

If it will able to meet the desire of all in a little width, this endeavor will be treated as success and fruitful.

Md. Tarifur Rahman Khan
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A. Social Business

1. Concept of Social Business

Generally social business is one type of business which is conducted for social purpose. It is a model of business established for removing one or more problems among many existent problems of the society.

Social business mainly works for solving existent problems of the society under the business structure. It plays a vital role especially to meet up the basic needs (i.e. food, cloth, shelter, education, health etc.) of human beings and solve the different problems created by human and nature. Besides, it is important for meeting up different barriers created by nature and overall demand of the society.

Solving the social problems, creation of employment opportunity and ensuring welfare for the inhabitants of the society is only possible through social business towards positive change of the society. Social economy is strengthened through social business as a result of which all parties under the society are benefited.

In a nut shell, social business is conducted with objective for well-being of the inhabitants of the society where efforts are taken for solving one or more existent problems of the society.

2. Evolution of Social Business

Basically the concept of social business is emerged in 1840. In continuation of which different social initiatives are taken for removing social problems or bring positive change in the society in 19th century. Among these initiatives India's Land Gift Movement of Vinoba Bhave, Cooperative Movement, First Nursing School of Florence Nightingale etc are mentionable who conducted their activities under organizational or foundation structure.

Similarly in 20th & 21st century the activities of social business are being conducted under different structures. In this regard, remarkable initiatives are Grameen Bank of Muhammad Yunus, Ashoka: The Innovators for the Public of Bill Drayton, Youth United of Jyotindra Nath, Rand De of Ramakrishna & Smita Ram, SKS Microfinance of Vikram Akula, and Roozi.com of Nick Reder, Brent Freeman & Norma La Rosa.

The concept of social business came to present position through different revolutions since inception. In the modern world, social business is treated as an effective tool to solve different social problems.

3. Characteristics of Social Business

There are some distinct characteristics of social business. These characteristics give social business a distinctive formation from traditional business. The characteristics of social business are mentioned below successively:

a) Social Object:

Obviously social business is conducted for implementation of any social object. That social object must be specific, positive and feasible.

b) Solution of Social Problem:

There is effort for solving any social problem in each social business. In this case, social business is engaged mainly for removing one or more social problem.

c) Social Welfare:

Social welfare is ensured through social business. Direct and/or indirect welfare of all or all parties of the society is derived from social business.

d) Sustainable Model:

Social business is conducted based on sustainable business structure. As a result, the social business is able to ensure its expansion beside existence.

e) Employment Opportunity:

Employment opportunities are created for the inhabitants of the society through social business. That's mean required manpower is usually arranged from respective society for conducting the activities of social business.

f) Reasonable Profit:

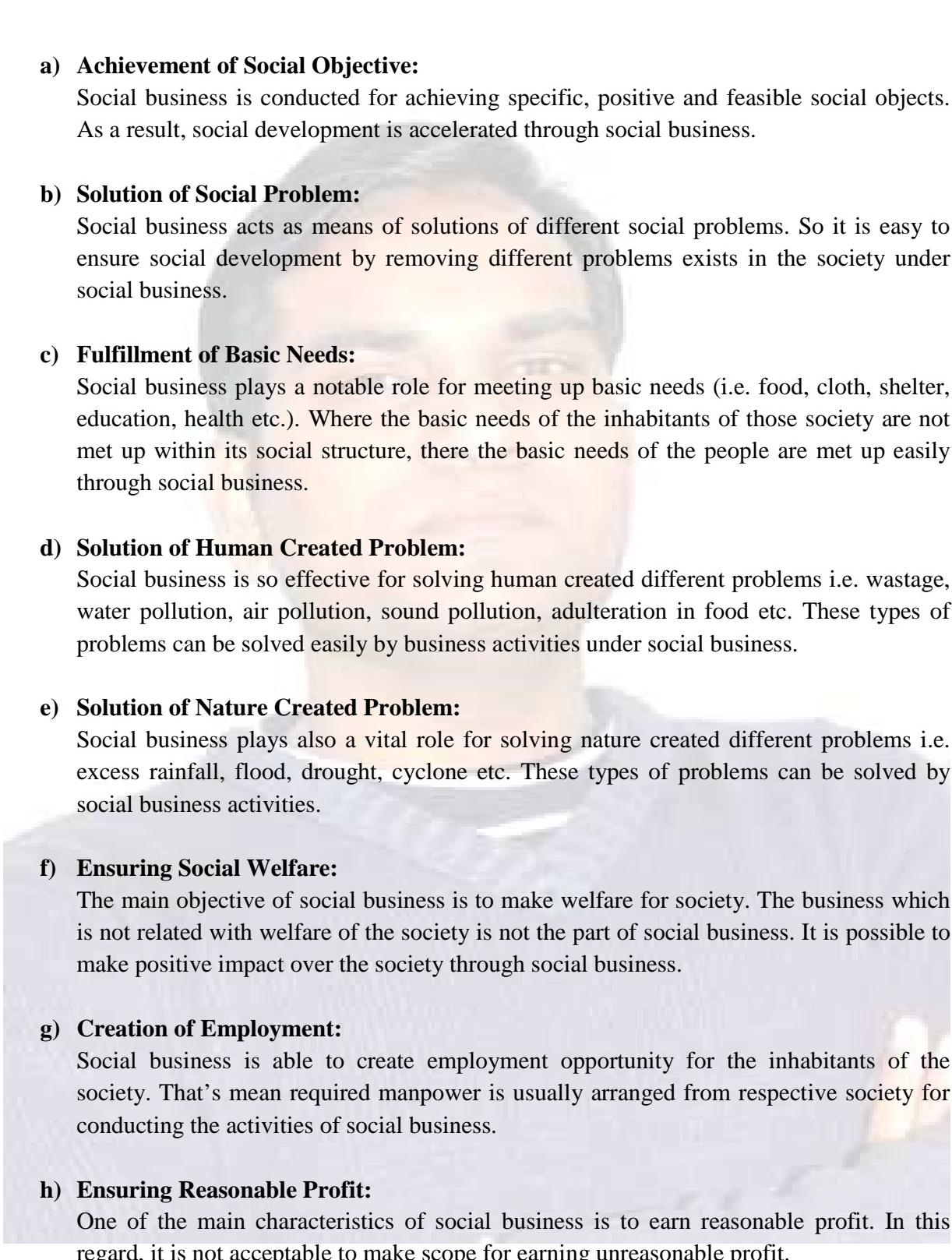
One of the main characteristics of social business is to earn reasonable profit. In this regard, there is no scope to earn unreasonable profit.

g) Environmental Consciousness:

Social business is more careful to ensure environmental balance. That's mean social business emphasis on the favorable elements of environmental balance.

4. Importance of Social Business

Social business plays a vital role for positive change in the society. Effective solutions of different social problems are possible under social business. The important sides of social business are mentioned below:



a) Achievement of Social Objective:

Social business is conducted for achieving specific, positive and feasible social objects. As a result, social development is accelerated through social business.

b) Solution of Social Problem:

Social business acts as means of solutions of different social problems. So it is easy to ensure social development by removing different problems exists in the society under social business.

c) Fulfillment of Basic Needs:

Social business plays a notable role for meeting up basic needs (i.e. food, cloth, shelter, education, health etc.). Where the basic needs of the inhabitants of those society are not met up within its social structure, there the basic needs of the people are met up easily through social business.

d) Solution of Human Created Problem:

Social business is so effective for solving human created different problems i.e. wastage, water pollution, air pollution, sound pollution, adulteration in food etc. These types of problems can be solved easily by business activities under social business.

e) Solution of Nature Created Problem:

Social business plays also a vital role for solving nature created different problems i.e. excess rainfall, flood, drought, cyclone etc. These types of problems can be solved by social business activities.

f) Ensuring Social Welfare:

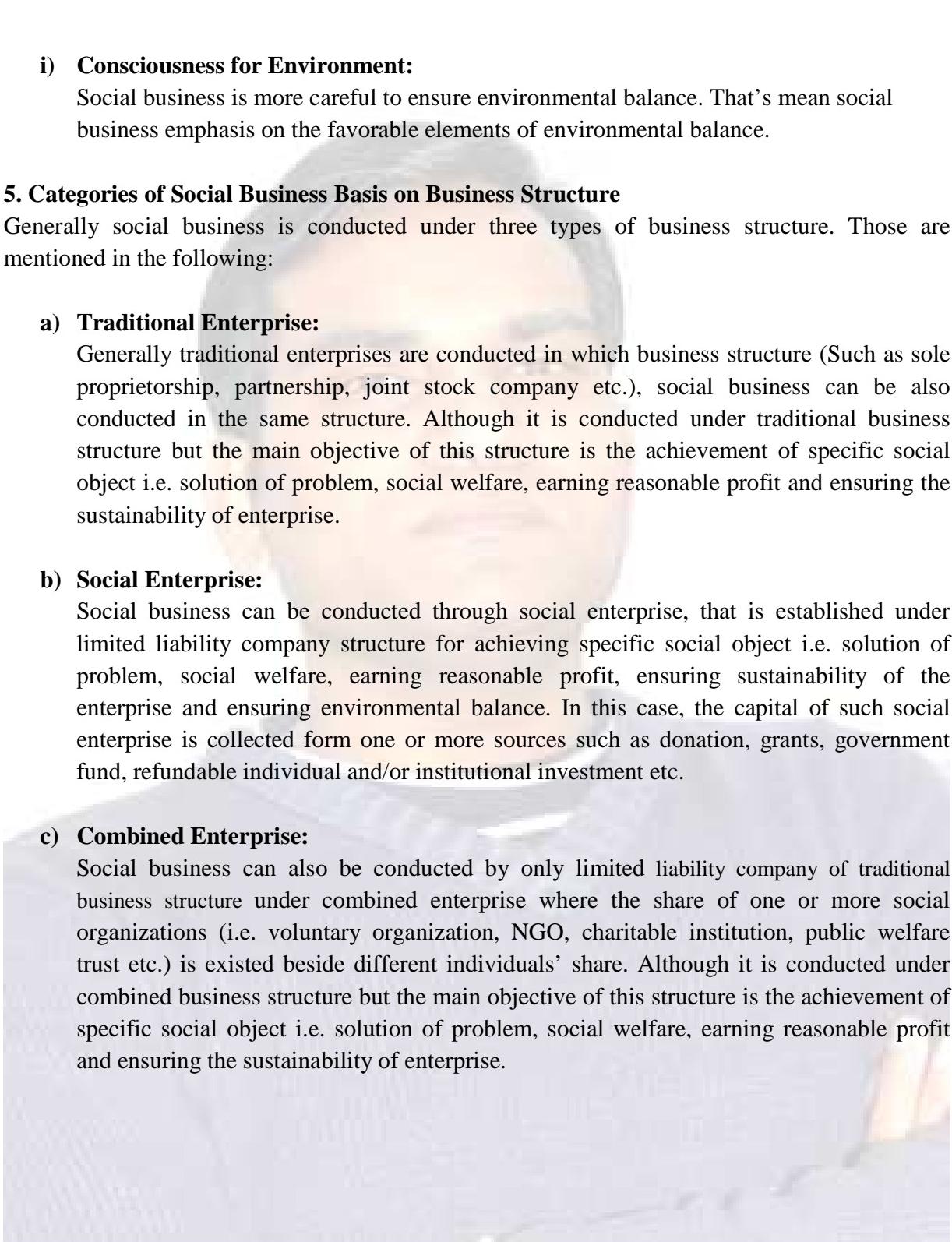
The main objective of social business is to make welfare for society. The business which is not related with welfare of the society is not the part of social business. It is possible to make positive impact over the society through social business.

g) Creation of Employment:

Social business is able to create employment opportunity for the inhabitants of the society. That's mean required manpower is usually arranged from respective society for conducting the activities of social business.

h) Ensuring Reasonable Profit:

One of the main characteristics of social business is to earn reasonable profit. In this regard, it is not acceptable to make scope for earning unreasonable profit.



i) Consciousness for Environment:

Social business is more careful to ensure environmental balance. That's mean social business emphasis on the favorable elements of environmental balance.

5. Categories of Social Business Basis on Business Structure

Generally social business is conducted under three types of business structure. Those are mentioned in the following:

a) Traditional Enterprise:

Generally traditional enterprises are conducted in which business structure (Such as sole proprietorship, partnership, joint stock company etc.), social business can be also conducted in the same structure. Although it is conducted under traditional business structure but the main objective of this structure is the achievement of specific social object i.e. solution of problem, social welfare, earning reasonable profit and ensuring the sustainability of enterprise.

b) Social Enterprise:

Social business can be conducted through social enterprise, that is established under limited liability company structure for achieving specific social object i.e. solution of problem, social welfare, earning reasonable profit, ensuring sustainability of the enterprise and ensuring environmental balance. In this case, the capital of such social enterprise is collected form one or more sources such as donation, grants, government fund, refundable individual and/or institutional investment etc.

c) Combined Enterprise:

Social business can also be conducted by only limited liability company of traditional business structure under combined enterprise where the share of one or more social organizations (i.e. voluntary organization, NGO, charitable institution, public welfare trust etc.) is existed beside different individuals' share. Although it is conducted under combined business structure but the main objective of this structure is the achievement of specific social object i.e. solution of problem, social welfare, earning reasonable profit and ensuring the sustainability of enterprise.

B. Social Business under Traditional Enterprise

1. Concept of Social Business under Traditional Enterprise

Traditional enterprise can conduct business activities with a view to achieve specific objectives i.e. solving of specific social problem where sustainability of enterprise is ensured beside social welfare through earning of reasonable profit.

These types of enterprises are conducted under traditional business structure i.e. sole proprietorship, partnership, joint stock company etc. In the same way, the owners or partners of business bear all liabilities (except limited liability company) of the enterprise beside taking profit or dividend against their investment like traditional enterprise.

2. Characteristics of Social Business under Traditional Enterprise

Some specific characteristics are found in social business which is conducted under traditional enterprise. These characteristics give it a distinctive formation. These characteristics are mentioned below serially:

a) Social Object:

Obviously social business established under traditional enterprise is conducted for implementation of any social object. That social object must be specific, positive and feasible.

b) Solution of Social Problem:

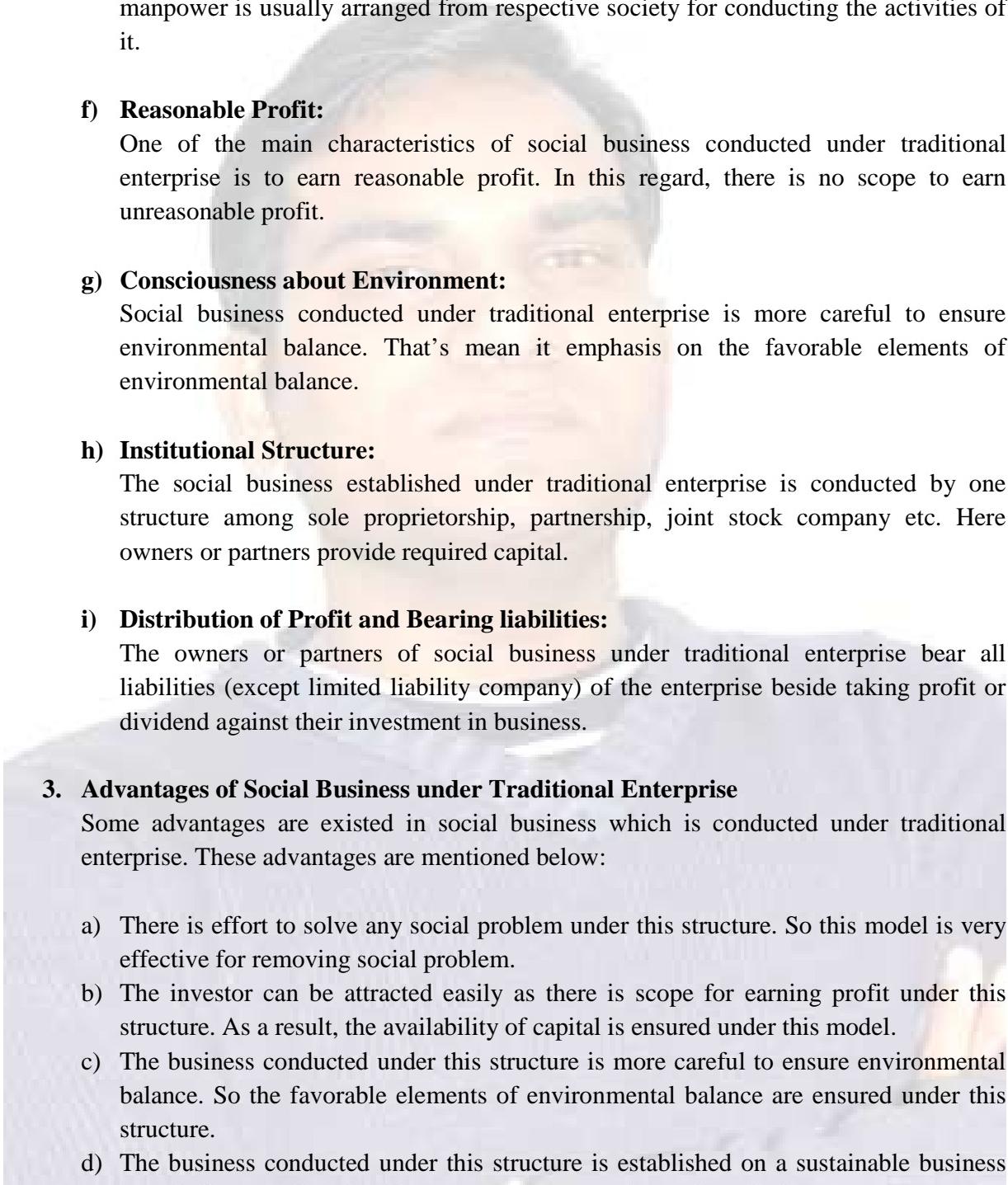
There is effort to solve any social problem through social business conducted under traditional enterprise. In this case, this type of enterprise is engaged mainly for removing one or more social problem.

c) Social Welfare:

Social welfare is ensured through social business conducted under traditional enterprise. In this regard, direct and/or indirect welfare of all or all parties of the society is derived from it.

d) Sustainable Model:

Social business conducted under traditional enterprise is established on a sustainable business structure. As a result, it is able to ensure its expansion and profit for owners or partners beside existence.



e) Employment:

Employment opportunities are created for the inhabitants of the society through social business which is conducted under traditional enterprise. That's mean required manpower is usually arranged from respective society for conducting the activities of it.

f) Reasonable Profit:

One of the main characteristics of social business conducted under traditional enterprise is to earn reasonable profit. In this regard, there is no scope to earn unreasonable profit.

g) Consciousness about Environment:

Social business conducted under traditional enterprise is more careful to ensure environmental balance. That's mean it emphasis on the favorable elements of environmental balance.

h) Institutional Structure:

The social business established under traditional enterprise is conducted by one structure among sole proprietorship, partnership, joint stock company etc. Here owners or partners provide required capital.

i) Distribution of Profit and Bearing liabilities:

The owners or partners of social business under traditional enterprise bear all liabilities (except limited liability company) of the enterprise beside taking profit or dividend against their investment in business.

3. Advantages of Social Business under Traditional Enterprise

Some advantages are existed in social business which is conducted under traditional enterprise. These advantages are mentioned below:

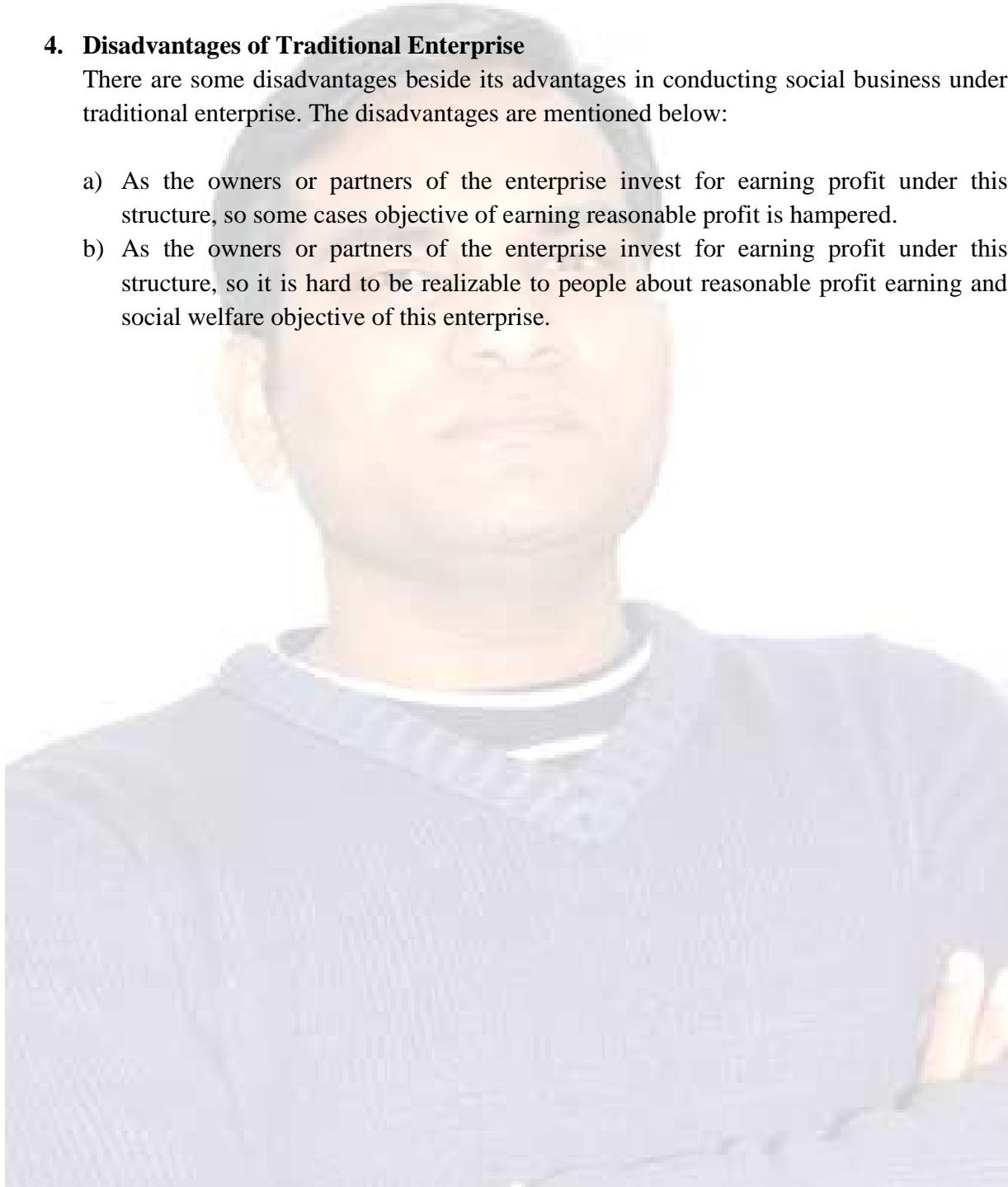
- a) There is effort to solve any social problem under this structure. So this model is very effective for removing social problem.
- b) The investor can be attracted easily as there is scope for earning profit under this structure. As a result, the availability of capital is ensured under this model.
- c) The business conducted under this structure is more careful to ensure environmental balance. So the favorable elements of environmental balance are ensured under this structure.
- d) The business conducted under this structure is established on a sustainable business model. As a result, it is able to ensure its expansion and profit for owners or partners beside existence.

- e) Employment opportunities are created for the inhabitants of the society through the business which is conducted under this structure. So this business structure is very suitable for solving the unemployment problem of the society.

4. Disadvantages of Traditional Enterprise

There are some disadvantages beside its advantages in conducting social business under traditional enterprise. The disadvantages are mentioned below:

- a) As the owners or partners of the enterprise invest for earning profit under this structure, so some cases objective of earning reasonable profit is hampered.
- b) As the owners or partners of the enterprise invest for earning profit under this structure, so it is hard to be realizable to people about reasonable profit earning and social welfare objective of this enterprise.



C. Social Business under Social Enterprise

1. Concept of Social Business under Social Enterprise

Social business can be conducted through social enterprise which is established under limited liability company structure for achieving specific social object i.e. solution of problem, social welfare, earning reasonable profit, ensuring sustainability of the enterprise and ensuring environmental balance etc.

Generally these types of social enterprises are conducted under limited liability company. In this regard, the capital of such social enterprise is collected from one or more sources such as donation, grants, government fund, refundable individual and/or institutional investment etc. There is no scope for capital financer to earn profit against financing of capital to such type of enterprise. Profit of the enterprise is only utilized for existence in addition to expansion. But there is scope to return the refundable individual and/or institutional investment.

2. Characteristics of Social Business under Social Enterprise

Some special characteristics are found in conducting social business under social enterprise. It has gotten distinctive formation for these characteristics. These characteristics are mentioned below successively:

a) Social Purpose:

Obviously social business established under social enterprise is conducted for implementation of any social object. That social object must be specific, positive and feasible.

b) Solution of Social Problem:

There is effort to solve any social problem through social business conducted under social enterprise. In this case, this type of enterprise is engaged mainly for removing one or more social problem.

c) Social Welfare:

Social welfare is ensured through social business conducted under social enterprise. In this regard, direct and/or indirect welfare of all or all parties of the society is derived from it.

d) Sustainable Model:

Social business conducted under social enterprise is established on a sustainable business structure. As a result, it is able to ensure its expansion beside existence.



e) Employment:

Employment opportunities are created for the inhabitants of the society through social business which is conducted under social enterprise. That's mean required manpower is usually arranged from respective society for conducting the activities of it.

f) Reasonable Profit:

One of the main characteristics of social business conducted under social enterprise is to earn reasonable profit. In this regard, there is no scope to earn unreasonable profit.

g) Consciousness about Environment:

Social business conducted under social enterprise is more careful to ensure environmental balance. That's mean it emphasis on the favorable elements of environmental balance.

h) Institutional Structure:

The social business established under social enterprise is conducted as limited liability company. Here capital is collected from one or more sources such as donation, grants, government fund, refundable individual and/or institutional investment etc.

i) Utilization of Profit:

There is no scope for capital financer to earn profit against financing of capital to social business under social enterprise. Profit of the enterprise is only utilized for existence in addition to expansion. But there is scope to return the refundable individual and/or institutional investment.

3. Advantages of Social Business under Social Enterprise

There are some advantages in conducting social business under social enterprise. The advantages are mentioned below:

- a) There is effort to solve any social problem in this structure. So this business model is very effective for removing social problem.
- b) As the matter of reasonable profit earning and social welfare is ensured under this structure so the acceptance of this structure can be ensured to the people easily.
- c) The business conducted under this structure is more careful to ensure environmental balance. So the favorable elements of environmental balance are ensured under this structure.
- d) The business conducted under this structure is established on a sustainable business model. As a result, it is able to ensure its expansion beside existence.

- e) Employment opportunities are created for the inhabitants of the society through the business which is conducted under this structure. So this business structure is very suitable for solving the unemployment problem of the society.
- f) There is no scope for capital financer to earn profit under this structure so this model is more effective for removing economical imbalance of the society.

4. Disadvantages of Social Business under Social Enterprise

There are some disadvantages beside its advantages in conducting social business under social enterprise. The disadvantages are mentioned below:

- a) As there is no scope to earn profit under this structure so it is not possible to attract investors. As a result, it is difficult to arrange capital under this model.
- b) No profit is to be distributing among owners under this structure. So sometimes profit earning issue gets less importance which is risky for the enterprise.

D. Social Business under Combined Enterprise

1. Concept of Social Business under Combined Enterprise

Social business can be conducted through combined enterprise which is established under limited liability company structure for achieving specific social object i.e. solution of problem, social welfare, earning reasonable profit, ensuring sustainability of the enterprise and ensuring environmental balance etc.

Generally these types of combined enterprises are conducted under limited liability company. In this case, one or more social organizations (i.e. voluntary organization, NGO, charitable institution, public welfare trust etc.) provide the capital of such combined enterprise beside different individuals. There is scope for capital provider like individuals and organizations to earn profit against providing of capital to such type of enterprise. But the earning profit of social organizations (i.e. voluntary organization, NGO, charitable institution, public welfare trust etc.) against their provided capital is utilized only for social development activities.

2. Characteristics of Social Business under Combined Enterprise

Some special characteristics are found in conducting social business under combined enterprise. These characteristics are mentioned below serially:

a) Social Purpose:

Obviously social business established under combined enterprise is conducted for implementation of any social object. That social object must be specific, positive and feasible.

b) Solution of Social Problem:

There is effort to solve any social problem through social business conducted under combined enterprise. In this case, this type of enterprise is engaged mainly for removing one or more social problem.

c) Social Welfare:

Social welfare is ensured through social business conducted under combined enterprise. In this regard, direct and/or indirect welfare of all or all parties of the society is derived from it.

d) Sustainable Model:

Social business conducted under combined enterprise is established on a sustainable business structure. As a result, it is able to ensure its expansion and profit for shareholders against their investment beside existence.

e) Employment:

Employment opportunities are created for the inhabitants of the society through social business which is conducted under combined enterprise. That's mean required manpower is usually arranged from respective society for conducting the activities of it.

f) Reasonable Profit:

One of the main characteristics of social business conducted under combined enterprise is to earn reasonable profit. In this regard, there is no scope to earn unreasonable profit.

g) Consciousness about Environment:

Social business conducted under combined enterprise is more careful to ensure environmental balance. That's mean it emphasis on the favorable elements of environmental balance.

h) Institutional Structure:

The social business established under combined enterprise is conducted as limited liability company. In this case, one or more social organizations (i.e. voluntary organization, NGO, charitable institution, public welfare trust etc.) provide capital beside different individuals.

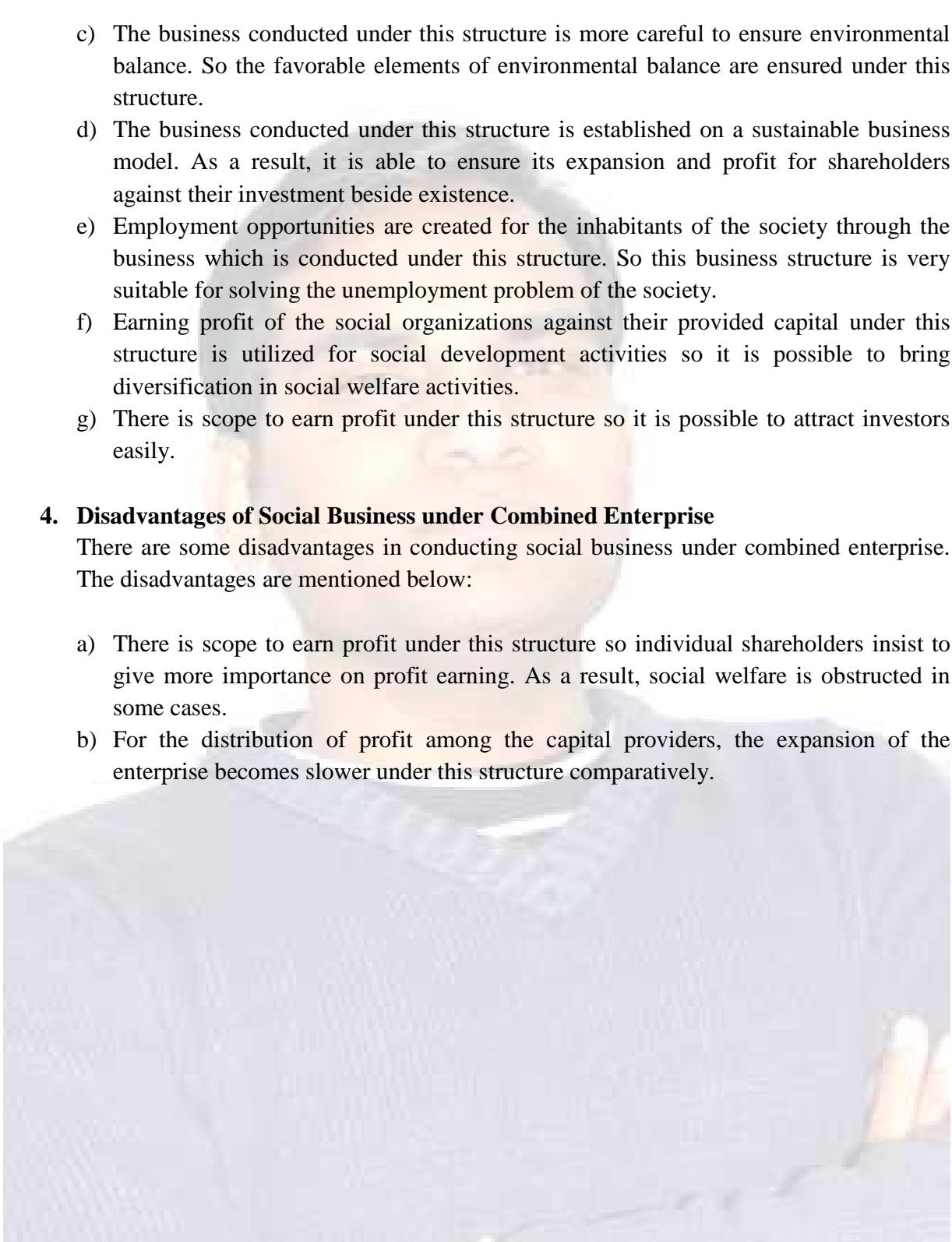
i) Utilization of Profit:

Profit or dividend can be received by the capital provider like individuals and social organizations (i.e. voluntary organization, NGO, charitable institution, public welfare trust etc.) against their provided capital in the social business under combined enterprise. But the earning profit of social organizations (i.e. voluntary organization, NGO, charitable institution, public welfare trust etc.) against their provided capital is utilized only for social development activities of the organizations.

3. Advantages of Social Business under Combined Enterprise

There are some advantages in conducting social business under combined enterprise. The advantages are mentioned below:

- a) There is effort to solve any social problem in this structure. So this business model is very effective for removing social problem.
- b) The sharing of social organizations is possible to ensure under this structure beside individuals' sharing so the objective of this structure is acceptable to the people comparatively.

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- c) The business conducted under this structure is more careful to ensure environmental balance. So the favorable elements of environmental balance are ensured under this structure.
 - d) The business conducted under this structure is established on a sustainable business model. As a result, it is able to ensure its expansion and profit for shareholders against their investment beside existence.
 - e) Employment opportunities are created for the inhabitants of the society through the business which is conducted under this structure. So this business structure is very suitable for solving the unemployment problem of the society.
 - f) Earning profit of the social organizations against their provided capital under this structure is utilized for social development activities so it is possible to bring diversification in social welfare activities.
 - g) There is scope to earn profit under this structure so it is possible to attract investors easily.

4. Disadvantages of Social Business under Combined Enterprise

There are some disadvantages in conducting social business under combined enterprise. The disadvantages are mentioned below:

- a) There is scope to earn profit under this structure so individual shareholders insist to give more importance on profit earning. As a result, social welfare is obstructed in some cases.
- b) For the distribution of profit among the capital providers, the expansion of the enterprise becomes slower under this structure comparatively.